

Message Text

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43

ACTION AF-06

INFO OCT-01 ISO-00 AGR-05 AID-05 CIAE-00 COME-00 EB-07

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FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 0000Y

INFO AMEMBASSY NAIROBI

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NAIROBI FOR REDSO

E.O. 11652: N/A

TAGS: ECON, EFIN, SU

SUBJ: FY 1976 GOS BUDGET

REF: KHARTOUM 1340

1. RECURRENT BUDGET PROPOSED BY MIN FIN BIHEIRI CONTAINS NO SURPRISES AND SEEMS UNLIKELY SIGNIFICANTLY COMPLICATE SUDAN'S FINANCIAL WOES. BY CONTRAST, NO DOUBT STEMMING FROM PRESSURE TO SUBSTANTIATE PUBLIC PRESIDENTIAL PRONOUNCEMENTS, BIHEIRI'S FIRST DEVELOPMENT BUDGET TARGET OF LS 281.8 MILLION IS CLOUD-LAND REVISITED. WHILE SUDAN HAS BENEFITED, AND WILL UNDOUBTEDLY CONTINUE TO BENEFIT, FROM INFLOW OF ARAB AND OTHER CAPITAL, PROJECTIONS WHICH WOULD NEARLY TRIPLE ALREADY HERCULEAN DEVELOPMENT

EFFORT OF FY 1975 ARE ABVIOUSLY OVERLY AMBITIOUS. EVEN IF GOS WERE TO ACHIEVE RECURRENT BUDGET SURPLUS OF LS 32.7 MILLION AND NET FOREIGN EXCHANGE INFLOW OF LS 129.8 MILLION (LATTER NOT BEYOND REASON, SINCE FIGURE WAS LS 100 MILLION IN CY 1974), THIS

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WOULD STILL LEAVE LS 119.3 MILLION TO BE FINANCED THROUGH LOCAL

BORROWING WITH ATTENDANT DISASTROUS EXACERBATION OF ALREADY STRONG INFLATIONARY PRESSURES, WHICH WOULD ALARM SUDAN'S CREDITORS, NOTABLY IMF (LOCAL REP OF WHICH SAID IMF COULD LIVE WITH LS 120 MILLION FIGURE FOR DEVELOPMENT BUDGET).

2. RATHER THAN SUCH FISCAL IRRESPONSIBILITY, IT SEEMS FAR MORE LIKELY THAT BIHEIRI, DESPITE HIS PERSONAL INCLINATIONS, HAS CONTINUED HIS PREDECESSOR'S PRACTICE OF PRESENTING "UMBRELLA" DEVELOPMENT BUDGET (I.E., AMOUNT WHICH WOULD BE SPENT IN IDEAL WORLD) WITH TACIT UNDERSTANDING THAT ACTUAL EXPENDITURES WILL BE LIMITED TO PERHAPS HALF THAT AMOUNT. AT BEGINNING OF FY 1975, FOR EXAMPLE, DEVELOPMENT BUDGET CALLED FOR LS 194.3 MILLION IN EXPENDITURES, THOUGH PROJECTION OF ACTUAL EXPENDITURES WAS THEN CONFIDENTIALLY (IN CONSULTATION WITH IMF) ESTIMATED AS LS 65 MILLION. EVEN ASSUMING THIS TO BE THE CONCEPT FOLLOWED BY BIHEIRI, HOWEVER, ACTUAL EXPENDITURE OF LS 140 MILLION WOULD BE IMPRESSIVE PERFORMANCE, SINCE AS LATE AS FY 1974 FIGURE WAS ONLY LS 48 MILLION. SUDAN MAY NOT BE OIL-PRODUCING COUNTRY, BUT, IN ITS DEVELOPMENT AMBITIONS, IT IS TRYING TO ACT LIKE ONE.

3. AS INDICATED IN OUR CONVERSATIONS WITH IMF REP (TWO MEMCONS DATED 5/19/75), IMF HAS BEEN DEFERRING DECISION AEITO WHEN SEND NEGOTIATING TEAM TO KHARTOUM AND WHETHER EFFORTS TO ARRANRP NEW STAND-BY ARRANGEMENTS CAN BE ENVISIONED. WE DO NOT YET HAVE REACTION FROM IMF RBH TO BIHEIRI'S FORMAL BUDGET PROPOSALS, BUT WE ASSUME ITS MASSIVE DEVELOPMENT AND BORROWING PROJECTIONS WILL HARDLY ENCOURAGE VMF TO CONCLUDE THAT GOS, UNDER NEW MIN FIN, HAS RETURNED TO THORNY PATH OF FISCAL RESPONSIBILITY.
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